GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:2440
ANSWERED ON:09.05.2016
Royalty on Crude Oil
Solanki Dr. Kirit Premjibhai

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether the royalty on crude oil and gas is paid to the State Government based on the Wellhead price of crude oil and if so, the details thereof;
b) whether the upstream, companies including Oil and Natural Gas Corporation Limited (ONGC) are unilaterally paying the royalty to the States on post-discounted prices;
(c) if so, the details thereof and the reasons therefor, State/UT/company-wise;
(d) whether the State Government of Gujarat has represented to the Union Government for payment of royalty as per the established mechanism and on pre-discounted prices; and
(e) if so, the details thereof along with action taken by the Government thereon and the outcome thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (INDEPENDENT CHARGE)
(SHRI DHARMENDRA PRADHAN)
(a): Royalty on production of crude oil is payable to the Central Government (for production from offshore fields) and to the State Government (for production from onshore fields) in terms of the statutory provisions of Oilfields (Regulation and Development) Act, 1948 (ORDA) and Petroleum & Natural Gas (PNG) Rules, 1959 as amended from time to time.
The current schedule of royalty rates is attached at the Annexure.
(b) & (c): Upstream companies, including ONGC, have been paying royalty to the State Governments on post discounted price from 1st April, 2008 as per direction of Government of India communicated to them vide Ministry of Petroleum & Natural Gas letter dated 23.5.2008.
(d) & (e): The State Government of Gujarat has represented to the Government of India on the issue of payment of royalty. After examination, Government of Gujarat was informed on 07.07.2009 that in respect of offshore crude oil, the Royalty paid by upstream companies to the Central Government has always been on the basis of post-discount prices. There is nothing in the legal provisions to suggest that payment of onshore Royalty to State Governments should be on a different principle.
Government of Gujarat filed a Special Civil Application in the High Court of Gujarat, Ahmedabad on 27th September, 2011 for payment of royalty at pre-discount prices. Gujarat High Court, vide its order dated 30th November, 2013 decided that royalty on crude oil is to be paid on pre-discount price and directed ONGC to make the payment towards shortfall royalty for the period April, 2008 till date, within a period of two months from the date of issue of order.
Aggrieved by the order, ONGC filed a Special Leave Petition(SLP) before the Supreme Court of India. Pending further orders, the Hon'ble Court stayed the operation of the impugned judgment subject to the condition that ONGC pays royalty to State of Gujarat on pre-discounted price of crude oil w.e.f. 1st February, 2014 onwards. In compliance of court order, ONGC has started paying royalty to Govt. of Gujarat on pre-discount price w.e.f. February, 2014.
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